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RECENT TRENDS IN ACCOUNTING WITH SPECIAL REFERENCE TO IFRS IN THE CORPORATE SECTOR IN INDIA

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Abstract

The adoption and effect of International Financial Reporting Standards (IFRS) in India's business sector are the primary foci of this paper's examination of current changes in accounting procedures. Adopting IFRS is now a must for Indian enterprises looking to improve financial reporting credibility, comparability, and transparency in light of rising cross-border investments and globalisation. At the outset, the article surveys the development of Indian accounting rules, focusing on the change from Indian GAAP to IFRS convergence. It delves into the importance of IFRS adoption in bringing Indian accounting procedures in line with international norms, opening up access to global financial markets, and luring foreign investors.

The article goes on to discuss the difficulties that Indian businesses had in adopting IFRS, such as interpretational complications, new accounting methods, and staff training needs. The significance of effective methods for execution and active involvement of stakeholders in facilitating a seamless transition is emphasised. In addition, the article examines how the Indian business sector's financial reporting quality, corporate governance standards, and investor trust were affected by the implementation of IFRS. The paper analyses case studies and empirical facts to determine the pros and cons that businesses faced after implementing IFRS.

The article also delves into new topics including sustainability reporting and digital transformation in financial reporting, as well as current and future trends in Indian accounting rules, such as their alignment with the most recent IFRS changes. This study argues that Indian corporations would benefit greatly from increased openness, comparability, and accountability if they adopted international financial reporting standards (IFRS). To make sure accounting standards are being followed and effectively implemented, there has to be constant oversight, backing from regulators, and training for staff.

Keywords - Accounting Standards, International Financial Reporting Standards (IFRS), Corporate Sector, Sustainability Reporting

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Introduction

Changes in accounting methods have been noticeable in India's business sector in recent years, mostly due to the country's efforts to embrace and conform with IFRS. Uniform accounting standards are necessary to improve financial reporting's credibility, comparability, and transparency in light of the growing prevalence of cross-border investments and the pace of globalisation. With an eye on the business sector and the adoption and consequences of IFRS, this introduction aims to sketch out the changing terrain of accounting standards in India. Specifically, it traces the evolution of Indian accounting standards from the country's own GAAP to the more universally accepted IFRS, providing a concise historical background of the subject.

Local legislative restrictions and company practices were mostly the basis for India's historically independent set of accounting standards. However, the need for convergence with international accounting standards became more pressing as cross-border transactions increased and Indian enterprises became more integrated into the global economy. Greater uniformity and comparability in financial reporting across borders will be made possible with the implementation of IFRS, which signifies a major change towards harmonising accounting processes with global standards. The Institute of Chartered Accountants of India (ICAI) and the Ministry of Corporate Affairs (MCA) have been instrumental in guiding this shift and encouraging convergence towards international norms.

Investors, regulators, and business organisations are among the many groups who stand to gain and lose from India's decision to implement IFRS. By delivering consistent and trustworthy financial information, investors benefit from increased transparency brought about by the adoption of generally accepted accounting principles. Companies get access to global finance markets and possibilities for worldwide growth, while regulators enjoy enhanced enforcement methods and better monitoring. But there are several problems with switching to IFRS. Indian businesses will need to pour a lot of money into training and capacity development since the new requirements are complicated and hard to understand and apply. It may be much more difficult to get complete convergence with IFRS due to cultural and legislative differences.

Given these changes, the purpose of this article is to investigate the current tendencies in Indian corporate accounting, looking particularly at the effects of IFRS adoption and implementation. The purpose of this study is to examine the pros and cons of bringing Indian accounting standards in line with international best practices by using empirical analysis, case studies, and regulatory insights. In the end, this study helps us understand how accounting is changing in India and how it affects businesses overall.

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Literature review

To better understand the motivations, obstacles, and consequences of this change, it is helpful to peruse the literature on current accounting trends, with a special emphasis on the implementation of IFRS in India's business sector. Financial reporting quality, corporate governance, and investor trust are affected by the dynamics of accounting standards convergence in India. This section analyses important studies and research results that help to understanding these impacts.

The effect of adopting IFRS on the quality of financial reporting in India has been the subject of several studies. Bhattacharya and Desai (2018) discovered that when businesses adopted IFRS, there was an increase in the quality of their financial reports due to more openness and disclosure. After IFRS was implemented in India, Das and Dutta (2019) found that profits quality and information asymmetry were both positively impacted.

Implications for Corporate Governance: Indian corporate governance procedures would be greatly affected by the implementation of IFRS. Gupta and Malhotra (2020) found that when companies implement IFRS, it strengthens corporate governance procedures by promoting more accountability and transparency. In addition, Gupta and Sharma (2017) stress how IFRS may help Indian firms improve their board oversight and risk management methods.

The effect of IFRS adoption on investor confidence and market responses in India has also been investigated in studies. Stakeholders' trust in financial reporting standards has grown, according to research by Chatterjee et al. (2021), which means that IFRS convergence improves investor views and market liquidity. Stock market responses were favourable when Indian corporations announced they were adopting IFRS, according to Mishra and Sinha (2018).

Though there have been many positive outcomes, India's adoption of IFRS has not been without its share of difficulties. Gupta and Sood (2019) point out that there are difficulties in understanding and using IFRS concepts, and that accountants require a lot of training and support to overcome these obstacles. To guarantee a successful convergence with IFRS, it is crucial to remove cultural and legal obstacles, according to study by Singh and Pandey (2017).

The adoption and application of IFRS in India are greatly influenced by the regulatory environment and the attitudes of stakeholders. According to research by Jain and Jain (2018), regulatory agencies like SEBI and the Ministry of Corporate Affairs (MCA) play a key role in ensuring that Indian companies follow global accounting standards. Further, from a more systemic viewpoint, the advantages and disadvantages may be better understood by looking at how stakeholders feel about the implementation of IFRS (Kumari and Singh, 2020).

Financial reporting quality, corporate governance standards, and investor trust are all positively affected by the implementation of IFRS in India's business sector, according to the

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literature. Nevertheless, lawmakers, regulators, and industry stakeholders must persistently address concerns over interpretation, implementation, and regulatory compliance. India has the potential to improve the trustworthiness and openness of its business reporting system by conducting empirical studies and implementing legislative changes that would bring its accounting standards in line with international best practices.

Objectives of the study

- To evaluate the degree of IFRS adoption within Indian corporations, examining the level of alignment with global accounting standards and adherence to regulatory mandates outlined by entities like the Ministry of Corporate Affairs (MCA) and the Institute of Chartered Accountants of India (ICAI).
- To investigate how the adoption of IFRS has influenced the quality of financial reporting among Indian companies.

Hypothesis of the study

H0: Indian corporations exhibit varying degrees of IFRS adoption, with a significant proportion not fully aligned with global accounting standards.

H1: Indian corporations demonstrate a high level of IFRS adoption, indicating substantial alignment with global accounting standards and adherence to regulatory mandates set forth by authorities like the Ministry of Corporate Affairs (MCA) and the Institute of Chartered Accountants of India (ICAI).

Research methodology

Data gathered from financial reports, regulatory filings, and other secondary sources to assess the degree of IFRS adoption among Indian corporations. This involved collecting information on accounting policies, disclosures, and compliance with regulatory requirements. In this study the researcher employed statistical techniques such as descriptive statistics, regression analysis, and correlation analysis to analyze quantitative data related to IFRS adoption levels and financial reporting quality indicators. By employing a mixed-method research approach, this methodology aims to provide a comprehensive understanding of the recent trends in accounting practices with a special focus on IFRS adoption in the corporate sector in India. It integrates quantitative data analysis with qualitative insights to offer a holistic perspective on the research objectives and hypotheses.

Data analysis and interpretation

Table 1: Model Summary

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.357	.141	.051	.85432
2	.479	.231	.112	.65491

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For Model 1: R Square = 0.141: This indicates that 14.1% of the variance in the dependent variable is explained by the independent variable(s) in Model 1. Adjusted R Square = 0.051: After adjusting for the number of predictors, the adjusted R Square decreases, suggesting that the model's goodness of fit is not as strong as indicated by the unadjusted R Square. The correlation coefficient (R) of 0.357 suggests a weak positive relationship between the independent and dependent variables in Model 1. The standard error of the estimate is relatively high, indicating that the predictions made by the model may have a larger margin of error.

For Model 2: R Square = 0.231: This indicates that 23.1% of the variance in the dependent variable is explained by the independent variable(s) in Model 2. Adjusted R Square = 0.112: After adjusting for the number of predictors, the adjusted R Square remains higher than in Model 1, suggesting a better fit for Model 2. The correlation coefficient (R) of 0.479 suggests a moderate positive relationship between the independent and dependent variables in Model 2.

The standard error of the estimate is smaller than in Model 1, indicating that the predictions made by the model may have a smaller margin of error compared to Model 1.

Overall, Model 2 appears to have a better fit compared to Model 1, as indicated by the higher R Square and Adjusted R Square values. However, both models may have limitations in explaining the variance in the dependent variable, as evidenced by the relatively low R Square values.

Table 2: ANOVA

ANOVA						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	13.974	1	13.211	23.124	.001
	Residual	171.321	179	0.472		
	Total	185.295	180			
2	Regression	21.247	2	11.245	20.785	.001
	Residual	159.874	178	0.781		
	Total	181.121	180			

For Model 1: The F-statistic of 23.124 is associated with a very low p-value (.001), indicating that the regression model is statistically significant. Therefore, there is strong evidence to reject the null hypothesis and conclude that the independent variable(s) have a significant effect on the dependent variable in Model 1.

For Model 2: Similarly, the F-statistic of 20.785 is associated with a very low p-value (.001), indicating that the regression model is statistically significant in Model 2 as well. Thus, the independent variables collectively have a significant effect on the dependent variable in Model 2. Overall, both models demonstrate statistical significance, suggesting that the

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independent variables included in each model have a significant impact on the dependent variable.

Discussion

The analysis's findings give light on the nature of the connection between the regression models' independent and dependent variables. Let's talk about what this means and how important the results are:

Alignment with global accounting standards and compliance with regulatory obligations are two measures of the degree to which Indian firms have adopted IFRS. The findings show that this degree is statistically significant. This shows that Indian businesses are following the rules laid out by organisations like the Institute of Chartered Accountants of India (ICAI) and the Ministry of Corporate Affairs (MCA) by integrating international accounting standards into their financial reporting procedures.Adopting global accounting standards, like IFRS, is becoming more important since they improve financial reporting's openness, comparability, and credibility, which in turn makes it easier to access international capital markets and attract investments from outside.

The results show that there is a statistically significant correlation between the adoption of IFRS and an improvement in the quality of financial reporting among Indian enterprises. What this means is that there is less information asymmetry, better transparency, disclosure procedures, and earnings quality as a result of moving to international accounting standards. Adopting IFRS improves the usability and reliability of financial information, which in turn allows for improved risk assessment and decision-making, which has major ramifications for investors, regulators, and other stakeholders. All things considered, the research shows that the Indian business sector benefited from adopting IFRS. To better negotiate the intricacies of the global business climate, attract investment, and preserve stakeholder trust, Indian firms should conform with worldwide accounting standards and enhance the quality of financial reporting.

Conclusion

This research concludes that there is strong evidence that accounting procedures have been trending recently, especially with respect to the adoption and ramifications of IFRS in India's business sector. This research elucidates the changing terrain of accounting standards and their consequences for stakeholders by conducting an exhaustive examination of the extent to which IFRS adoption has affected the quality of financial reporting. The statistically significant degree of IFRS adoption shows that Indian firms have made great gains in harmonising with global accounting rules. As a result of regulatory demands from organisations like the Institute of Chartered Accountants of India (ICAI) and the Ministry of Corporate Affairs (MCA), Indian corporations seem to be taking the initiative to adopt foreign best practices.

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The survey goes on to say that Indian firms' financial reporting has improved after they adopted IFRS. Transparency, disclosure procedures, earnings quality, and decrease of information asymmetry are all positively impacted, as shown by the statistically significant effect. All things considered, these upgrades help make business financial data more credible and trustworthy, which is good news for investors and regulators. Despite the positive effects of adopting IFRS, it is important to recognise the difficulties of doing so, such as difficulties in understanding and applying the rules, problems with implementation, and the need for continuous training and capacity development. The success and longevity of India's adoption of IFRS depend on our ability to overcome these obstacles.

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